



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON REGIONAL OFFICE
FIFTH FLOOR
803 WEST BROAD STREET
FALLS CHURCH, VIRGINIA 22046

MAR 2 1972

Dear Mr. Wright:

We have examined the accounts of accountable officers of the National Labor Relations Board through June 30, 1971, and the payroll and leave records through the leave year ended January 9, 1971. We evaluated procedures and internal controls relative to the receipt and disbursement of funds, including payroll and leave, and tested financial transactions and records as we considered appropriate.

We found the procedures and internal controls generally effective and selected transactions normally processed in a satisfactory manner. Certain needed improvements in the Board's procedures and practices were identified, however, and discussed with you and your representative during our examination. These matters are summarized briefly below, along with the corrective action taken or planned by the Board, for your use and information.

Improved controls over property
accounting to be established

To effectively control property and equipment, a physical inventory should be taken at regular intervals and the results of such inventory should be used to make appropriate adjustments to the accounting records. A physical count of property and equipment had been taken by the Board in June 1969 at your headquarters and field office locations. However, the benefits of the physical count were not realized by the Board since the value of the property and equipment counted was never compiled and no comparison and reconciliation was ever made to the accounting records.

In discussing this matter with you and your representative, we were informed of the Board's plan to improve its property accounting by computerizing property and equipment records and using such capability in inventory reconciliations. In our view, the development of this capability will improve controls over property and equipment and afford the Board the opportunity to investigate any differences between physical inventories and the accounting records on a timely basis.

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Collections to be made on a
timely basis and adequately
safeguarded until deposited

Fiscal procedures established in the GAO Manual--sections 12.1 and 12.2, title 7--provide that collections are to be deposited on a timely basis and be afforded adequate physical security while in an agency's possession. In examining the Board's internal controls over collections, we found there was no prescribed schedule for depositing receipts on a timely basis and that, as a result, collections were on hand as long as 18 days before being deposited. In addition, checks collected were not being adequately safeguarded although a safe was available to the Board for this purpose.

In our discussions with you and your representative, we were advised that a regular schedule would be established for the deposit of collections, preferably on a weekly basis, and that in the future collections would be secured in a safe until deposited. These actions will greatly enhance the Board's controls over collections and generally improve the Board's procedures in this area.

Unliquidated obligations to be
reviewed for validity at the end
of each fiscal year

The GAO Manual--section 17.3 of title 7--requires that each agency shall review its obligation documents as of June 30 for the purpose of assuring that only valid obligations are reported at the end of each fiscal year. The Board has not been reviewing the validity of obligations at the end of each fiscal year. As a result, the amount of obligations reported appears to have been overstated in current and prior periods. In this regard our limited tests indicated a number of transactions that no longer appeared to represent valid obligations of the Board. These included several transactions for which services or supplies were received as far back as fiscal year 1964.

In discussing this matter with your representative, we were informed the validity of all obligations would be reviewed at the end of fiscal year 1972 and on a quarterly basis thereafter.

Controls over travel advances
to be strengthened

Under procedures established by the Board, employees who need an advance of funds to perform official travel are required to formally request and document the amount of funds needed. These procedures also

provide that periodic audits will be made of the travel funds advanced and that such advances will be recalled or adjusted when circumstances no longer warrant travelers' retention of the amounts originally advanced.

In performing our review, we found travel funds were being advanced to some employees on an informal basis and were not supported by the required substantiating documentation. Similarly, periodic audits of outstanding travel advances were not being performed as required by existing Board procedures. In this regard, our limited tests identified 32 instances in which retention of outstanding travel advances by Board employees, involving approximately \$4,500, no longer appeared warranted.

After bringing the above situation to the attention of one of your officials, an examination of outstanding travel advances was immediately undertaken by the Board. This examination resulted in requests for return of travel advances from some 104 employees. Additionally, this official stated that, in the future, formal requests would be required for travel advances from all employees and such supporting documentation would be retained in the files.

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The records of financial transactions through June 30, 1971, and payroll and leave records through January 9, 1971, may be stored in accordance with your records retention and disposal program.

We wish to acknowledge the courtesies and cooperation extended to our representatives during the review, and we would appreciate being advised of any further action taken on matters discussed herein.

Sincerely yours,



H. L. Krieger
Regional Manager

Mr. Clarence S. Wright, Director
Division of Administration
National Labor Relations Board